OFFICE OF THE SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

IRAQ RECONSTRUCTION FUNDS: FORENSIC AUDITS IDENTIFYING FRAUD, WASTE, AND ABUSE

INTERIM REPORT #4

SIGIR 10-019
JULY 26, 2010

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SIGIR

Special Inspector General for IRAQ Reconstruction

Summary of Report: SIGIR 10-019

Why SIGIR Is Issuing This Report

Public Law 108-106 requires the Special Inspector General for Iraq Reconstruction (SIGIR) to prepare a final forensic audit report on all funding appropriated for the reconstruction of Iraq, which to date totals more than $53 billion. This interim report presents the results of our ongoing forensic auditing program, including an update on our efforts to identify questionable financial activity and an update on our review of agency expenditures. The report also presents information on our data mining methodology. We are reporting our results periodically, and a final cumulative report will eventually address all available reconstruction funds.

In our first report, we summarized the results of a series of audits of major reconstruction contracts that were intended, in part, to identify internal control weaknesses. Because such weaknesses provide opportunities for fraud, waste, and abuse, we have used the results from these audits to develop targeted forensic auditing approaches to identify instances of possible wrongdoing.

SIGIR continues its forensic review of Department of Defense (DoD), Department of State (DoS), and U.S. Agency for International Development (USAID) expenditures. These reviews systematically examine Iraq reconstruction program expenditures to identify anomalies in transactional data that may indicate fraud, waste, or abuse. SIGIR's approach combines automated data mining with standard audit and investigative techniques to detect questionable transactions and develop relevant evidence for use in administrative actions or civil or criminal fraud prosecutions.

SIGIR continues its review of Iraq reconstruction program areas known to have weaknesses in internal controls. Identified as the SIGIR Audits/ Investigations Initiative, this effort focuses on programs that afford easy access to cash with weak controls over expenditures.

Management Comments

We received technical comments from U.S. Forces-I that we addressed in the report where appropriate.

For more information, contact SIGIR Public Affairs at (703) 428-1100 or PublicAffairs@sigir.mil

July 26, 2010

IRAQ RECONSTRUCTION FUNDS: FORENSIC AUDITS IDENTIFYING FRAUD, WASTE, AND ABUSE – INTERIM REPORT #4

SIGIR's Results to Date

A major aspect of SIGIR's forensic audit effort involves a joint audit and investigative initiative that was established in January 2009. This effort, staffed by SIGIR Audit and Investigative personnel, focuses on programs that afford easy access to cash with weak controls over expenditures. This initiative continues to identify instances of questionable activity. Since our last report in April 2010 , an additional four criminal investigations were opened bringing the total number of investigations resulting from the initiative to 49.

Another major aspect of SIGIR's forensic audit effort is the congressionally mandated forensic audit of DoD, DoS, and USAID expenditures. Since our last report, SIGIR reviewed nearly 25,000 additional transactions valued at almost $3.9 billion, bringing the total transactions reviewed to nearly 108,000 valued at approximately $35.8 billion.

SIGIR has completed its review of possible duplicate payments involving DoD-related Iraq Relief and Reconstruction Fund (IRRF) and Iraq Security Forces Fund (ISFF) program transactions that occurred during the FY03-FY08 time period. As indicated in SIGIR Forensic Audit Interim Report #3 (SIGIR 10-017), we anticipated that many of the questionable transactions selected for review would prove to be valid once supporting documentation was reviewed. This proved to be the case. In SIGIR 10-017 we reported that, of the approximately 1,000 transactions selected for review, about 20 transactions, with a value of approximately $300,000, remained under investigation as possible duplicate payments. Our investigation of these transactions found that 12 transactions, with a value of about $142,000, were duplicate payments. As a result of this work, DoD requested reimbursement from the contractors and has recovered all of the overpaid amounts.

SIGIR also completed its review of possible duplicate payments involving USAID transactions related to the IRRF and Economic Support Fund (ESF). We reviewed 54 possible duplicate payments, totaling approximately $64 million, and found that duplicate or overpayments, and payment and accounting adjustments, were made in 36 of these transactions. Our review found that USAID had already identified these erroneous transactions and had either recovered the funds or made ledger adjustments for all of the amounts.

SIGIR continues its forensic audit of possible duplicate payments involving DoS transactions related to IRRF- and ESF-funded programs. We have selected 77 transactions, totaling approximately $53.5 million, for review and have requested pertinent information from DoS.

We are continuing our review of possible fictitious contractors associated with DoD's IRRF- and ISFF-funded programs as well as DoS and USAID IRRF- and ESF-funded programs. At this time we are focusing on 124 possible fictitious contractors. As with our duplicate payment work, we are performing detailed research to determine whether these contractors were legitimate or were engaged in a scheme to defraud the U.S. government. We anticipate that many of these contractors will prove to be legitimate following our review. An examination of key documentation, such as state business licenses, web sites, invoices, receiving documents, and payment records will be used to support conclusions concerning the validity of the vendors.

SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

July 26, 2010

MEMORANDUM FOR U.S. SECRETARY OF STATE
U.S. SECRETARY OF DEFENSE
COMMANDING GENERAL, U.S. ARMY CORPS OF ENGINEERS
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
ADMINISTRATOR, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

SUBJECT: Iraq Reconstruction Funds: Forensic Audits Identifying Fraud, Waste, and Abuse – Interim Report #4 (SIGIR 10-019)

We are providing this report for your information and use. The report discusses the results to date of the Special Inspector General for Iraq Reconstruction's (SIGIR) forensic audits of Department of Defense, Department of State, and U.S. Agency for International Development expenditures involving Iraq relief and reconstruction.

We performed this review in accordance with our statutory responsibilities contained in Public Law 108-106, as amended, which also incorporates the duties and responsibilities of inspectors general under the Inspector General Act of 1978. This law provides for independent and objective audits of programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Iraq, and for recommendations on related policies designed to promote economy, efficiency, and effectiveness and to prevent and detect fraud, waste, and abuse. These audits are being conducted as SIGIR Projects 9005, 9012, and 9013.

We appreciate the courtesies extended to our staff. For additional information on the report, please contact David Warren, Assistant Inspector General for Audits, (703) 604-0982/ david.warren@sigir.mil or Glenn Furbish, Principal Deputy Assistant Inspector General for Audits, (703) 604-1388/ glenn.furbish@sigir.mil.

Stuart W. Bowen, Jr.
Inspector General

cc: U.S. Ambassador to Iraq
Commander, U.S. Central Command
Commanding General, U.S. Forces-Iraq

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Iraq Reconstruction Funds: Forensic Audits Identifying Fraud, Waste, and Abuse – Interim Report #4

SIGIR 10-019 **July 26, 2010**

Introduction

Public Law 108-106, as amended, requires that the Special Inspector General for Iraq Reconstruction (SIGIR) prepare a final forensic audit report on all funding appropriated for the reconstruction of Iraq, which to date totals more than $53 billion. To keep Congress apprised, this report, the fourth in a planned series of interim reports, describes the methodology and updates the results of our forensic audit efforts to date. Our first interim report discussed our analysis of Department of Defense (DoD) expenditures. Our second interim report included results of our analysis of expenditure data from the U.S. Agency for International Development (USAID). Our third interim report included information on our analysis of expenditure data from the Department of State (DoS). The information is being reported cumulatively, and a final report will encompass total reconstruction funds. Table 1 identifies total appropriations by fund.

Table 1—Total Appropriations by Fund as of June 30, 2010 ($ in billions)

Iraq Relief and Reconstruction	Appropriations
Iraq Relief and Reconstruction Fund (IRRF 1 and 2)	$20.86
Iraq Security Forces Fund (ISFF)	18.04
Economic Support Fund (ESF)	4.56
Commander's Emergency Response Program (CERP)	3.82
Other Reconstruction Assistance Programs	4.00
TOTAL	**$51.27**

Notes:

Numbers affected by rounding.

The table excludes appropriations totaling $2.3 billion related to various federal agency operating and oversight expenses, which are outside the scope of the forensic audits.

Source: SIGIR Quarterly Report to the Congress, July 2010.

Objectives

SIGIR's objectives for this report were to present the results to date of our forensic auditing efforts to include identifying questionable activity and updating the results of our review of agency expenditures. The report also presents information on our data mining methodology. As discussed, SIGIR is required to prepare a final forensic audit report on all funding appropriated for the reconstruction of Iraq. To keep Congress apprised, SIGIR plans to periodically issue updated cumulative reports until all DoD, Department of State (DoS), and USAID Iraq reconstruction expenditures are reviewed. At that time, we will provide the final congressionally mandated forensic audit report on all funding for the reconstruction of Iraq.

For a discussion of our audit scope and methodology, see Appendix A. For acronyms used, see Appendix B. For forensic audit team members, see Appendix C. For the SIGIR mission and contact information, see Appendix D.

SIGIR Effort Identifies Questionable Activity

A major aspect of SIGIR's forensic audit effort involves a joint audit and investigative initiative that was established in January 2009. This effort, identified as the SIGIR Audits/Investigations Initiative, focuses on programs that afford easy access to cash with weak controls over expenditures. At this time the SIGIR Audits/Investigations Initiative is reviewing several programs with identified instances of questionable activity. One of the projects involves the handling of funds associated with the Development Fund for Iraq. At one time the Coalition Provisional Authority managed the Development Fund for Iraq, and SIGIR has reported that the Coalition Provisional Authority provided less than adequate control over its funds. A second program with identified control weaknesses is the Commander's Emergency Response Program (CERP). SIGIR has issued seven reports on CERP that collectively identify weaknesses in program documentation.

The SIGIR Audits/Investigations Initiative has obtained information related to these and other programs and is analyzing it in an effort to identify questionable activity. One source of information for this initiative is the congressionally mandated forensic audit of DoD, DoS, and USAID expenditures. Pertinent information is reviewed by SIGIR auditors, analysts, and investigators to determine whether further action is warranted. Since our last report in April 2010, SIGIR has opened an additional four criminal investigations. This brings the total number of criminal investigations opened as a result of this initiative to 49.

Detailed information regarding SIGIR's ongoing audit and investigative initiative will not be presented in these reports. Rather, our results will generally be reported in the aggregate and specific findings will be included where appropriate and useful.

Forensic Audits of Agency Expenditures Identify Anomalous and Possibly Fraudulent Transactions

Another major aspect of SIGIR's forensic audit effort is the congressionally mandated forensic audit of DoD, DoS, and USAID expenditures. Since our last report SIGIR reviewed nearly 25,000 additional transactions valued at almost $3.9 billion; bringing the total number reviewed to nearly 108,000 transactions valued at approximately $35.8 billion. These transactions include DoD, DoS, and USAID expenditures and represent the cumulative results of our data collection for fiscal years 2003-2008 as well as a significant portion of Fiscal Year (FY) 2009 data. It includes DoD expenditures from the Iraq Security Forces Fund (ISFF), Iraq Relief and Reconstruction Fund (IRRF), and CERP; USAID IRRF and Economic Support Fund (ESF) expenditures; and DoS IRRF expenditures.[1] These new totals represent a portion of FY09 transaction data.

Of the $53 billion appropriated to date, approximately $43.5 billion has been expended through FY 2009, and the 108,000 transactions valued at $35.8 billion represent about 82% of the expenditures for fiscal years 2003 through 2009.

Figure 1 identifies, by appropriation, the status of SIGIR's work in collecting and testing transaction data for fiscal years 2003 through 2008 for each of the agencies and their respective financial systems.

[1] ISFF was established in 2005; therefore, there were no expenditures in fiscal years 2003 or 2004.

Figure 1 —Status of Anomaly Testing for FY 03-08 as of July 2010 ($ billions)

	Total Expd[1]	Amount Under Analysis[1]	Data Owner	System	Data Collection	Data Validation	Manual Review	Anomaly Testing	Case Creation	CMT Review
ISFF	$11.04	$10.69 (96.8%)	USACE	CEFMS	●	●	●	●	●	●
IRRF	$19.51	$13.30 (68.2%)	USACE	CEFMS	●	●	●	●	●	●
		$0.02 (0.1%)	DFAS	CAPS[3]	●	●	●	●	●	●
		$4.36 (22.3%)	USAID	Phoenix	●	●	●	●	●	●
		$1.59 (8.1%)	DoS	GFMS[4]	●	●	●	●	●	●
		$0.027 (0.1%)	DFAS	DDS[5]	●	●	◑	◔	○	○
CERP	$2.68	$0.01 (0.4%)	USACE	CEFMS	●	●	●	●	●	●
		$1.17[2] (43.6%)	DFAS	CAPS	◑	◑	◔	○	○	○
		$1.50 (56.0%)	DFAS	DDS	●	●	◑	◔	○	○
ESF	$1.93	$1.00 (51.8%)	USAID	Phoenix	●	●	●	●	●	●
		$0.17 (8.8%)	DoS	GFMS	●	●	●	●	●	◕

Legend:	Not Started	Started	Partially Completed	Mostly Completed	Completed
	○	◔	◑	◕	●

Notes:

[1] Total expended amounts and collected amounts are in billions. The percentage listed is the total dollar amount analyzed out of the total expended.

[2] Estimated amount.

[3] Computerized Accounts Payable System (CAPS).

[4] Global Financial Management System (GFMS).

[5] Deployable Disbursing System (DDS).

Source: SIGIR analysis of agency data.

Automated Data Mining To Identify Transactions That Require Additional Analysis

SIGIR's forensic audit of nearly 108,000 transactions has identified anomalous activity that requires additional analysis. This includes payments that may be duplicates, payments to possibly fictitious or generic vendors such as "Vendor" and "Cash," notable variances in payment activity, and payments that occurred before or on the date of the invoice.

SIGIR primarily conducts performance audits that assess the economy, efficiency, and effectiveness of reconstruction programs, often with a focus on the adequacy of internal controls and the potential for fraud, waste, and abuse. These include the series of audits of major reconstruction contracts that identified common internal control weaknesses. Certain controls, such as the segregation of duties, are key to minimizing the risk of fraud, waste, and abuse. We relied on SIGIR's extensive body of work related to inadequate controls in Iraq reconstruction

programs to develop transaction anomalies likely to be observed as a result of the failure or circumvention of these controls. We have incorporated 10 of these anomaly tests into our automated data mining effort. Table 2 lists the anomaly tests and their intended results.

Table 2—Anomaly Tests and Intended Results

Anomaly Test	Intent of Test
Duplicate payments	Identify instances where it appears a contractor may have been paid two or more times for the same invoice, work performed, and/or product delivered
Questionable vendors	Identify vendor names that are generic (e.g., Cash, Vendor) and vendor names that do not appear to align with the program goals
Notable variances in payment activity	Identify payments outside of the "norm" for a vendor
Invoice date analysis	Identify payments occurring prior to or on the date of invoice and sequentially-numbered contractor invoices
Payments to debarred/ suspended contractors	Identify payments to debarred/suspended contractors identified in the Excluded Parties List System
Segregation of duties	Identify breakdowns in segregation of duties whereby the same government contracting official originates the request for payment, approves the request, is the payor and/or payee
Fictitious addresses/high risk locations	Identify payments to possibly fictitious addresses and/or high risk locations or known high-risk banking centers such as Cyprus and Beirut
Payee Validation	Identify payments to debarred/suspended contractors who are also an Approver or Originator
Fictitious contractors	Identify payments to contractors with no associated D-U-N-S1/CAGE2 number
Application of Benford's Law[3]	Identify nonrandom transaction amounts to identify instances a contractor submitted false invoices using false invoice totals

Notes:

[1] The Data Universal Numbering System or D-U-N-S® Number is Dunn and Bradstreet's (D&B) copyrighted, proprietary means of identifying business entities on a location-specific basis. Assigned and maintained solely by D&B, this unique nine-digit identification number has been assigned to over 100 million businesses worldwide. The D-U-N-S® Number is widely used by both commercial and federal entities and was adopted as the standard business identifier for federal electronic commerce in October 1994. The D-U-N-S Number® was also incorporated into the Federal Acquisition Regulation in April 1998 as the Federal Government's contractor identification code for all procurement-related activities.

[2] A Commercial and Government Entity (CAGE) Code is a five-character code that identifies companies doing or wishing to do business with the Federal Government.

[3] Benford's law states that the leading digit in lists of numbers from many real-life sources of data is distributed in a non-uniform way. Accordingly, the first digit is 1 almost one third of the time, and subsequent digits occur as the first digit in descending frequency, where 9 is the leading digit less than one time in twenty.

Source: SIGIR analysis.

Detailed Examinations of Contract Files To Validate Fraud

When a transaction anomaly is identified, SIGIR examines the details to determine whether it is fraudulent or improper. To accomplish this, teams of SIGIR personnel perform additional electronic testing; conduct detailed examinations of relevant contract documentation such as solicitation actions, award selection materials, invoices, and payment files; interview contracting

officials as well as vendor management and other staff; and coordinate with other audit and law enforcement agencies. These validation efforts are designed to support determinations about the legitimacy of a transaction and to determine whether improper expenditures are attributable to administrative error or fraud. Transactions are prioritized for review by their risk of fraud and dollar value with high-risk/high-dollar transactions receiving priority. To date, these examinations have provided information related to seven SIGIR audits and fifteen SIGIR investigations. As discussed in detail in the following section, SIGIR is currently focusing on DoD, DoS and USAID expenditures that may be duplicate payments as well as possible fictitious contractors associated with DoD, DoS, and USAID expenditures.

Review of Possible Duplicate Payments

We reviewed DoD, DoS, and USAID-related transactions that were identified by data mining as possible duplicate payments (e.g., situations where a contractor may have been paid two or more times on the same date, for the same item, work performed, and/or product delivered). The purpose of this particular review was to determine the validity and status of these payments. If we determine that a payment was made in error, SIGIR will: (1) seek reimbursement to the U.S. Treasury, (2) determine how the error occurred, and (3) make recommendations to strengthen internal controls and financial management practices to reduce the risk of similar errors in the future. If a payment appears to be the result of fraudulent or other improper activity, pertinent information will be provided to our Investigations Directorate for review and appropriate action.

Since issuing SIGIR Forensic Audit Interim Report #3 (SIGIR 10-017) we have completed a review of possible duplicate payments involving DoD-related IRRF and ISFF program transactions that occurred during the FY03-FY08 time period. As noted in SIGIR 10-017, we anticipated that many of the questionable transactions selected for analysis would be valid once supporting documentation was reviewed. This proved to be the case. In our last report we indicated that, of the approximately 1,000 transactions selected for review, about 20 transactions, with a value of approximately $300,000, remained under investigation as possible duplicate payments. Since issuing SIGIR 10-017, we completed our investigation of these transactions and determined that 12 of the transactions, with a value of approximately $142,000, were duplicate payments. As a result of this work, DoD requested reimbursement from the contractors and has recovered all of the overpaid amounts.

Since issuing SIGIR 10-017 we have also completed our review of possible duplicate payments involving USAID transactions related to the IRRF and ESF funds. In this forensic audit we selected transactions that involved both USAID contracts and grants and included large companies and organizations as well as smaller vendors and individuals. We reviewed 54 possible duplicate payments totaling approximately $64 million. Our analysis of the data and associated documentation revealed that duplicate or overpayments, and payment and accounting adjustments, totaling about $48.6 million, were made in 36 of these transactions. Our review determined that USAID had identified the erroneous transactions and had either recovered the funds or made ledger adjustments for all of the amounts.

SIGIR continues its forensic audit of possible duplicate payments involving DoS transactions related to IRRF- and ESF-funded programs. We selected 77 transactions, totaling approximately

$53.5 million, for review and have requested pertinent information from DoS regarding these questionable transactions.

USACE's Improper Payment Reviews and Data Mining Efforts

Congress has enacted several provisions of law aimed at improving the integrity of the government payment process and the efficiency of its programs and activities, including the Improper Payments Information Act of 2002 (Pub. L. No. 107-300), and Section 831 of the Defense Authorization Act for Fiscal Year 2002, also known as the Recovery Auditing Act (Pub. L. No. 107-107, codified at 31 U.S.C. §§ 3561-3567). SIGIR will use this information as a guide during our improper payment audit work, as well as Office of Management and Budget (OMB) Circular A-123, Appendix C, which implements them.

The Improper Payments Information Act requires federal agencies to review and report improper payment information, which would include duplicate payments. Specifically, the Act requires that all executive branch agencies on an annual basis: (1) identify programs and activities that are susceptible to significant improper payments, (2) estimate the amounts improperly paid under those programs and activities, and (3) report on the amounts improperly paid and their actions to reduce improper payments. In addition, executive branch agencies are required to report on their efforts to recover overpayments made to contractors under the Recovery Auditing Act. Since fiscal year 2004, executive branch agencies have been required by OMB to report on the Improper Payments Information Act and recovery auditing efforts in their Performance and Accountability Report.

In May 2009, the USACE Finance Center implemented a new data-mining tool designed to identify possible erroneous or improper payments. The Finance Center is testing transactions from May 2009 forward. Similar to our results, the Army Corps of Engineers' efforts have revealed few duplicate payments. SIGIR will continue to coordinate with Finance Center officials to avoid duplication of effort as we analyze fiscal year 2009 transaction data.

Review of Possible Fictitious Contractors

We are continuing our review of possible fictitious contractors associated with DoD's IRRF- and ISFF-funded programs as well as DoS and USAID's IRRF- and ESF-funded programs and, at this time, we are focusing on 124 possible fictitious contractors. We tested for three anomalies in DoD, DoS, and USAID transaction data that could be indicative of a fictitious contractor:

- payments to contractors with no associated D-U-N-S/CAGE number
- payments to possibly fictitious addresses and/or high-risk locations or known high-risk banking centers such as Cyprus and Beirut
- payments to vendor names that are generic (e.g., cash, vendor) and vendor names that do not appear to align with program goals

While these anomalies were revealed during the course of our testing procedures, as with our possible duplicate payment review, we expect that many of the vendors will prove to be legitimate. An examination of key documentation, such as state business licenses, web sites, invoices,

receiving documents, and payment records will be used to support conclusions concerning the validity of the vendors.

Forensic Support for Other Audits and Investigations

Upon request, the SIGIR Forensics Group also provides information collected during the course of our forensic data mining effort to SIGIR audit and investigative staff in support of ongoing audit and investigations. This information is obtained from the primary forensic databases via ad hoc queries and Case Management Tool reports. To date, we have provided information related to seven audits and fifteen investigations. In addition, we are providing lessons learned that can be applied to other contingency operations, such as in Afghanistan.

Management Comments and Audit Response

We received technical comments from USF-I that we addressed in the report where appropriate.

Appendix A—Scope and Methodology

In December 2008, the Special Inspector General for Iraq Reconstruction (SIGIR) initiated its forensic effort as Projects 9005, 9012, and 9013 to examine Iraq relief and reconstruction expenditures by Department of Defense (DoD), Department of State (DoS), and the U.S. Agency for International Development (USAID). SIGIR's objectives for this report were to present the results to date of our forensic auditing efforts to include identifying questionable activity and updating the results of our review of agency expenditures. The report also presents information on our data mining methodology.

This interim report represents our review of expenditure data collected from DoD, DoS, and USAID pursuant to our congressional mandate for a forensic audit of all Iraq relief and reconstruction transactions. The results of these reports will generally be discussed in the aggregate, with specific findings included where appropriate and useful. Cumulative questioned costs will be reported as defined and required by the Inspector General Act of 1978, as amended. This audit was performed under the authority of Public Law 108-106, as amended, which also incorporates the duties and responsibilities of inspectors general under the Inspector General Act of 1978. The audit work for this report covers the period December 2008 through June 2010 and was conducted in Arlington, VA; Indianapolis, IN; Millington, TN; Rome, NY; and Washington, DC.

To obtain the expenditure data from the DoD, we interviewed officials from the Army Budget Office, the Defense Finance and Accounting Service, and the U.S. Army Corps of Engineers. To obtain expenditure data from USAID, we interviewed officials from the Middle East Bureau and Chief Financial Officer's office. To obtain expenditure data from DoS, we interviewed officials from the Deputy Chief Financial Officer's Office. From these offices, we obtained pertinent appropriation and transactional data, as well as supporting documentation, to include contract details and vendor data.

To develop our list of anomalies, we used information from discussions with SIGIR auditors and investigators; key agency stakeholders and systems owners; live financial system demonstrations; SIGIR and other agency audit reports; and industry-established tests for fraudulent activities.

We conducted this review in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. However, this is an information report, which has no findings or conclusions.

Use of Computer-processed Data

To achieve the assignment's objectives, we relied extensively on computer-processed data from the Defense Finance and Accounting Service, the U.S. Army Corps of Engineers' accounting systems, the USAID Phoenix System, and the DoS Global Financial Management System. We performed reconciliations of disbursement data received from the various accounting systems to determine that it was complete and reliable. The reconciliation process included a comparison of the detailed disbursement totals to other sources of information, including summary-level data.

This reconciliation process yielded a variance of tolerable amounts. Therefore, we found the data to be adequate and sufficiently reliable to be used in meeting our forensic audit objectives.

Internal Controls

As discussed in the body of the report, SIGIR has conducted audits of major reconstruction contracts that were intended in part to identify internal control weaknesses. We reported on those weaknesses in each report, which also contained relevant conclusions and recommendations. Because such weaknesses provide opportunities for fraud, waste, and abuse, we used the results of those audits to develop targeted forensic auditing approaches to identify instances of wrongdoing. However, this is an information report and, as such, we draw no conclusions and make no recommendations.

Prior Coverage

We reviewed the following reports for this audit:

SIGIR

Developing a Depot Maintenance Capability at Taji Hampered by Numerous Problems, SIGIR 09-027, 7/30/2009.

Tikrit Location Command Project Achieving Contract Goals by Using Sound Management Practices, SIGIR 09-024, 7/30/2009.

Commander's Emergency Response Program: Muhalla 312 Electrical Distribution Project Largely Successful, SIGIR 09-025, 7/26/2009.

Commander's Emergency Response Program: Hotel Construction Completed, but Project Management Issues Remain, SIGIR 09-026, 7/26/2009.

Joint Audit of Blackwater Contract and Task Orders for Worldwide Personal Protective Services in Iraq, AUD/IQO-09-16 and SIGIR 09-021, June 2009.

Security Forces Logistics Contract Experienced Certain Cost, Outcome, and Oversight Problems, SIGIR 09-014, 4/26/2009.

Need To Enhance Oversight of Theater-Wide Internal Security Services Contracts, SIGIR 09-017, 4/24/2009.

Oversight of Aegis's Performance on Security Services Contracts in Iraq with the Department of Defense, SIGIR 09-010, 1/14/2009.

Cost, Outcome, and Oversight of Iraq Oil Reconstruction Contract with Kellogg Brown & Root Services, Inc., SIGIR 09-008, 1/13/2009.

Review of Cost, Outcome, and Oversight of Local Governance Program Contracts with Research Triangle Institute, SIGIR 09-003, 10/21/2008.

Outcome, Cost, and Oversight of the Security and Justice Contract with Parsons Delaware, Inc., SIGIR 08-019, 7/28/2008.

Review of Outcome, Cost, and Oversight of Water Sector Reconstruction Contract with Fluor AMEC, LLC, SIGIR 08-018, 7/15/2008.

Review of Outcome, Cost, and Oversight of Electricity-Sector Reconstruction Contract with Perini Corporation, SIGIR 08-011, 4/29/2008.

Report on Review of Outcome, Cost, and Oversight of Iraq Reconstruction Contract W914NS-04-D-0006, SIGIR 08-010, 1/28/2008.

Outcome, Cost, and Oversight of Reconstruction of Taji Military Base and Baghdad Recruiting Center, SIGIR 08-004, 1/15/2008.

Interim Review of DynCorp International, LLC, Spending Under Its Contract for the Iraqi Police Training Program, SIGIR 07-016, 10/23/2007.

Review of Bechtel's Spending under Its Phase II Iraq Reconstruction Contract, SIGIR 07-009, 7/25/2007.

Iraq Reconstruction: Lessons in Program and Project Management, March 2007.

Coalition Provisional Authority Comptroller Cash Management Controls Over the Development Fund for Iraq, SIGIR 04-009, 7/28/2004.

Department of Defense, Office of the Inspector General

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Appendix B—Acronyms

Acronym	Description
CAGE	Commercial and Government Entity Code
CAPS	Computerized Accounts Payable System
CERP	Commander's Emergency Response Program
DDS	Deployable Disbursing System
DoD	Department of Defense
DoS	Department of State
D-U-N-S	Data Universal Numbering System
ESF	Economic Support Fund
FY	Fiscal Year
GFMS	Global Financial Management System
IRRF	Iraq Relief and Reconstruction Fund
ISFF	Iraq Security Forces Fund
OMB	Office of Management and Budget
SIGIR	Special Inspector General for Iraq Reconstruction
USACE	U.S. Army Corps of Engineers
USAID	U.S. Agency for International Development

Appendix C—Forensic Audit Team Members

This report was prepared and the forensic audit conducted under the direction of David R. Warren, Assistant Inspector General for Audits, Office of the Special Inspector General for Iraq Reconstruction.

The following SIGIR staff members are participating in the forensic audit effort, which includes the audit and investigative initiative, and contributed to this report:

Richard C. Newbold

Adam T. Hatton

William F. Bedwell

Dennis W. Rader

James J. Crowley

Robin L. Rowan

David Childress

George S. Salvatierra

Robert A. Whiteley

Benjamin H. Comfort

Donald V. McNamara

Appendix D—SIGIR Mission and Contact Information

SIGIR's Mission	Regarding the U.S. reconstruction plans, programs, and operations in Iraq, the Special Inspector General for Iraq Reconstruction provides independent and objective: • oversight and review through comprehensive audits, inspections, and investigations • advice and recommendations on policies to promote economy, efficiency, and effectiveness • deterrence of malfeasance through the prevention and detection of fraud, waste, and abuse • information and analysis to the Secretary of State, the Secretary of Defense, the Congress, and the American people through Quarterly Reports
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Congressional Affairs	Hillel Weinberg Assistant Inspector General for Congressional Affairs Mail: Office of the Special Inspector General for Iraq Reconstruction 400 Army Navy Drive Arlington, VA 22202-4704 Phone 703-428-1059 Email hillel.weinberg@sigir.mil
Public Affairs	Deborah Horan Director of Public Affairs Mail: Office of the Special Inspector General for Iraq Reconstruction 400 Army Navy Drive Arlington, VA 22202-4704 Phone: 703-428-1217 Fax: 703-428-0817 Email: PublicAffairs@sigir.mil